

BEHRE DOLBEAR

Global Mining News

ZIMBABWE OWNERSHIP LAW A BLOW TO MINING

October 1, 2007 (Reuters) – Zimbabwe’s proposed empowerment law will hit production in the nation’s top foreign currency earning sector, which is already grappling with exchange rate and power problems, an industry official said.

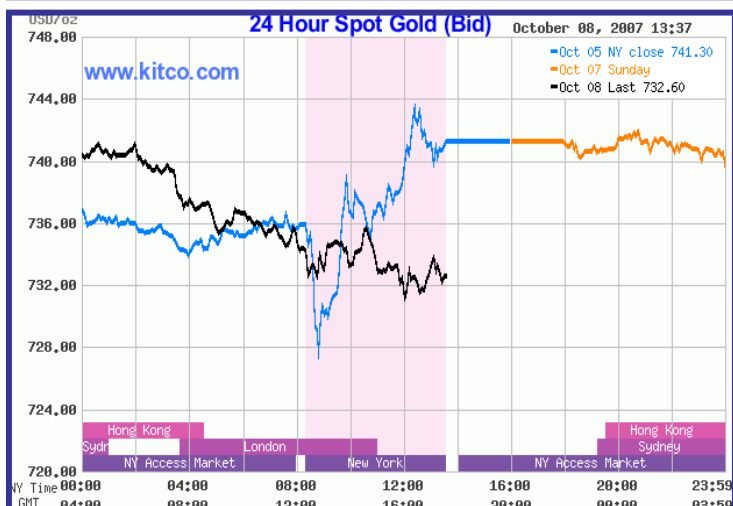
Zimbabwe’s Chamber of Mines, a representative body for an industry still dominated by foreign firms, said the bill was a blow to miners, who contribute about 35 percent of the country’s foreign currency earnings. “We have all sorts of problems, but these have been made worse by the recent passing of the empowerment bill,” the chamber’s acting chief executive Douglas Verden told Reuters on Friday. “We must have a foreign investor-friendly environment because mining is very expensive...if government decides to take over 51 percent, then foreign investment will cease. No foreign investor will come in knowing they will not take control.”

On Wednesday, President Robert Mugabe’s government pushed through parliament a bill allowing the transfer of majority control of all foreign-owned firms – including mines and banks – to black Zimbabweans. The bill is expected to sail through the upper Senate, also dominated by Mugabe’s ZANU PF, before being signed into law.

Verden said the industry, which had been consulting with the government over the past five years regarding the empowerment law, would wait to see how the law would be applied, particularly to firms with considerable social investments. “The die is cast, now we wait and see,” Verden said. “The bill itself as it stands is an enabling act, allowing the minister to make regulations. We are now waiting to see exactly what transpires.”

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| USD | OCTOBER 5, 2007 | SEPTEMBER 28, 2007 |
|-----------|------------------|--------------------|
| GOLD | 735.85 | 743.00 |
| SILVER | 13.4350 | 13.6500 |
| PLATINUM | 1,366.00 | 1,377.00 |
| PALLADIUM | 368.00 | 343.75 |
| ALUMINUM | 1.0773 | 1.1068 |
| COPPER | 3.7331 | 3.7036 |
| LEAD | 1.7255 | 1.5653 |
| NICKEL | 13.6237 | 14.0841 |
| URANIUM | 75.00 (10/01/07) | 85.00 (09/24/07) |
| ZINC | 1.3925 | 1.3875 |

Indigenisation and Economic Empowerment Minister Paul Mangwana has said government would allow companies to comply to the new rules gradually. Verden said miners were concerned about how they would be paid for shares to be transferred to locals. "It's still unclear, but we've heard of some fanciful options such as financing the purchase through dividends – remember not many mines are making profits at the moment – or in the Zimbabwe dollar, which is worthless."

Mining output, especially in the key gold sector, would decline further due to the added uncertainty surrounding the bill, persistent electricity cuts and the flight of skills. Verden said Zimbabwe was losing ground to other countries on the continent with friendly mining policies.

Government officials say Zimbabwe's mining output dipped by 14 percent in 2006, while gold deliveries to the central bank – the country's sole buyer of the metal – were down to 11 tonnes from 14 tonnes the previous year.

"Unless there is a huge increase in production in the last two months of the year, which is most unlikely, we will have about 8 tonnes of gold this year," Verden said. "If we fall below the 10 tonnes mark, we will cease to be a member of the bullion club, meaning we'd have to market our gold through a third party... that would increase costs through commission and lead to delays in payment," he said.

XSTRATA SAYS MOUNT ISA FIRE TO HIT ZINC-LEAD OUTPUT

October 1, 2007 (Reuters) – Swiss-based miner Xstrata said on Monday a fire at its Mount Isa zinc-lead concentrator in Australia on Friday will impact about 25,000 to 30,000 tonnes of zinc metal and 15,000 to 20,000 tonnes of lead.

"The zinc-lead concentrator recommenced operations the same day, but will operate at a reduced capacity until

repairs are completed," the company said in a statement. "It is estimated at this early stage that repairs will take between 4 to 6 weeks."

A fire in the conveyor system to the Heavy Medium Plant at Xstrata Zinc's Mount Isa zinc-lead concentrator on Friday, September 28 resulted in property damage and an interruption to operations.

TWO AUSTRALIAN STUDIES POSITIVE ON URANIUM OUTLOOK

October 1, 2007 (MineWeb) – The Australian team for Deutsche Bank's Global Markets Research believes that while the broking house's projection on the future uranium spot price has now been lowered it would still be robust at least until the end of 2009, and perhaps beyond.

A revision on a June quarter assessment was that the projected 2007 spot price would average lower at \$US101.35/lb, would then average \$US128.75/lb in 2008 and be about \$US130/lb in 2009 before tapering to \$US95/lb in 2010. A serious imbalance would remain between supply and demand until 2009 "at the very least," the latest report said. However, "the risks for more potential market deficits beyond then are considerable."

Meanwhile, Sydney-based Resource Capital Research in its September quarter study was more circumspect about the near-term rise for spot uranium, predicting it to reach \$US90/lb by early 2008 and \$US120/lb by September 2008.

A positive ahead seen by RCR was that planned and proposed new nuclear power reactors worldwide increased strongly from January to August 2007. As reported by the World Nuclear Association, this category has increased from 222 reactors (January 29) to 304 reactors (August 30), an increase of 82 reactors (or 37%). China announced 114 planned and proposed new nuclear power reactors, up from 63 in January '07 (an increase of 81%); and the US is up from 23 in January '07 to 32 units (up 39%).

RCR's study covered global uranium exploration and development companies with a focus on Australia, Canada, the United States and United Kingdom. RCR said more than 500 junior and mid cap explorers, development and production companies were identified in this review that took in uranium exploration "districts" Australia, Canada, US, Argentina, Peru, Mongolia, Zambia, Tanzania and Namibia.

RUSSIA DOUBLES SUKHOI LOG GOLD RESERVES DUE TO NEW TECH: MINISTER

October 1, 2007 (Platts) – The recent two-fold increase in reserves of Russia’s massive Sukhoi Log deposit to 2,000 mt of gold was based on possible usage of new technologies, rather than on new geological data, Russia’s natural resources ministry Yuri Trutnev said Monday. “The recalculation is based on new technologies [which can be used to] develop fields, rather than new geological data,” Trutnev told an internet conference. “It is obvious that the technologies have been improving and the usage of update technologies will allow mining 2,000 mt, rather than 1,000 mt of gold, from the field,” he said.

In late September, Russia’s subsoil agency Rosnedra said the most recent reappraisal of the Sukhoi Log had nearly doubled the field’s reserves, to 1,920 mt of gold, with an average grading of 2.8 g/t. Russia plans to auction off the Sukhoi Log gold deposit in the East Siberian Irkutsk region after a new subsoil law, which limits foreign participation in developing the country’s biggest fields, is adopted. The draft is expected to be considered by the parliament by the year-end, but the deadlines have been repeatedly postponed.

Just a few blocks are considered to fall under a so-called “strategic category” by the existing draft law, including

Roman Trebs and Anatoly Titov oil fields, both in the Yamal region of northern Russia, Sakhalin 3 oil and gas blocks in Russia’s Far East, Chayandinskoye oil and gas field in East Siberia, as well as the Sukhoi Log gold deposit and the Udokan copper deposit. Trutnev spoke for selling Sukhoi Log through an investment tender, rather than an auction.

Trutnev’s comments reflect the long-discussed intention by the ministry to use investment tenders rather than auctions to issue licenses for major fields. The minister believes that not only the amount of money which a company is ready to pay for a field, but also other parameters such as building new processing facilities, must be taken into account when making a decision on distribution of the rights for fields development. At the same time, his opponents argue that it would be much more difficult to prevent such a licensing mechanism from being corrupted.

Russia’s Norilsk Nickel, Basic Element, Polymetal and Alrosa have all reportedly announced their interest in the development of Sukhoi Log.

ANGLOGOLD REWORKS TAX DEAL IN TANZANIA

October 1, 2007 (Financial Times) – AngloGold Ashanti is to waive tax breaks and pay levies on its huge gold mine in Tanzania amid a fierce political tussle over the country’s mineral wealth. The move, which has been hammered out with the government in private but has not yet been officially announced, follows similar renegotiations by Barrick Gold of Canada, the world’s biggest gold miner, and Australia’s Resolute.

“[Ministers] want the sector to contribute a bit more,” Hatibu Senkoro, AngloGold’s country manager, told the Financial Times in an interview. “The government is keen for accelerated payment of corporate tax. Any newcomer is not going to enjoy the same benefits Anglo has.”

Incentives to lure major gold companies into Tanzania’s nascent mining sector over the past decade included capital allowances that defer tax liability until companies’ costs are recouped – a tax holiday that could have lasted

up to 20 years. Jakaya Kikwete’s victorious 2005 presidential campaign included a pledge to secure a “fairer” distribution of mineral revenues.

AngloGold, Barrick and Resolute will pay annual levies of \$200,000 directly to local authorities on each of their Tanzanian gold mines and pass up a 15 per cent tax allowance on unredeemed capital, hastening the day they will begin to pay the 30 per cent national corporate tax. The 3 per cent royalty rate will be unchanged. Barrick will also make “voluntary contributions” of \$7m a year to the Tanzanian government for five years.

The renegotiated agreement means AngloGold, which is 42 per cent owned by South African mining giant Anglo-American, estimates it will start paying corporate tax on its \$500m Geita operation – east Africa’s biggest gold mine – by 2011, four years earlier than initially planned, Mr Senkoro said. That date would have come next year, had it not been for a shaft collapse.

BHP BILLITON SAYS COKING COAL DEMAND VERY STRONG

October 2, 2007 (*MarketWatch*) – BHP Billiton Ltd. said Tuesday that the coking coal market remains very strong.

BHP's marketing director for carbon steel materials, Peter Toth, said infrastructure constraints continue to limit supply and that demand from traditional customers remains strong, while China and India continue to grow.

"The underlying fundamentals of the coking coal market are very strong, and it's the strongest that we have seen for some time" he told analysts.

SOUTHERN COPPER WORKERS START INDEFINITE STRIKE

October 2, 2007 (*Reuters*) – Peruvian workers at Southern Copper, a major global copper producer, started an indefinite strike on Tuesday for higher wages. "The strike has materialized," Jorge Chavez, head of the Toquepala mine workers union, told Reuters. Workers at the company's Ilo smelter and the Cuajone mine also joined the walkout, unions leaders said.

"The strike has been initiated at Ilo," said Arnaldo Oviedo, director of the union at the smelter. Union leaders said the strike began after the overnight shift ended and before the morning shift started. About 2,000 workers belong to the unions.

The company is controlled by Grupo Mexico, whose sprawling Cananea copper pit has been hit by a strike. Its other main copper mine in Mexico, La Caridad, is still working at full tilt.

"They are waiting for a response by the company and we don't have anything more to offer," said Manuel

Ramirez, head of labor relations at Southern. "The decision is in their (union) hands." Unions in Peru, the world's third-largest producer of copper and zinc and a major supplier of precious metals, want a bigger share of lofty global metals prices.

On Friday, Peru's biggest federation of mineworkers unions said it agreed to call a nationwide strike at mines across the Andean nation on Nov. 5. A sector-wide strike in May was halted after the government promised to alter labor rules in the sector. But the changes have not been made, union leaders have said. Unions want to pressure the government to clamp down on outsourcing by companies, to cut minimum retirement ages and give workers the right to return to state-run pension funds.

A strike would cut output at a time when companies are struggling to win community support for new mines in poor mountain towns that would tap into Peru's vast mineral wealth.

BHP IS FACING SHAREHOLDER CALLS TO STOP URANIUM MINING

October 2, 2007 (*AAP NewsWire*) – BHP Billiton will come under pressure from its shareholders to stop excavating uranium when the world's biggest miner holds its annual meeting next month. A group of shareholders is calling on the resources giant to take a moral stand and end its involvement in the profitable uranium trade.

The BHP Billiton Shareholders for Social Responsibilities has gathered 60 of the 100 signatures he needs to get the issue on the agenda of next month's

annual meeting in Adelaide. "BHP Billiton's outstanding commercial success and market pre-eminence carries an equally large moral obligation to provide leadership on issues of uranium production and nuclear proliferation," the group's spokesman John Poppins told *The Guardian* newspaper.

"Claims that uranium is 'carbon free' completely ignore the substantial carbon costs of its mining, processing, power station construction, protection and disposal."

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ANGLO AMERICAN REVEALS PRICING, INCREASES SIZE OF ANGLOGOLD SHARE SALE

October 2, 2007 (*Mining Weekly*) – Mining giant Anglo American on Tuesday announced that it would now sell 67.1-million shares, at R300.61 each, in Africa's number one gold-producer, AngloGold Ashanti, further reducing its stake to 17.%, and raising just over R20-billion. Anglo American had said the previous day that it would sell 61-million shares in the gold miner, causing AngloGold Ashanti's stock to shed 7% in value.

The offer, scheduled to close on October 9, represented a 6.16% discount to the Friday closing price of AngloGold Ashanti's American Depository Receipts in New York, and a 7.84% discount to the closing price of its stock on the JSE on the same day. Once Anglo American's holding in the producer of the yellow metal had fallen below 20%, its representative directors would resign from the board.

On Monday, Imara SP Reid gold analyst Steve Meintjies said that the announcement left some details unclear. "It raises interesting questions, like who the incoming

directors are going to be," he said. AngloGold had previously urged Anglo American to exit its stake quickly, which would remove the overhang on the gold producer's share price.

Anglo American held 115-million shares in the gold miner, representing 41% of its share capital, and had already said that it planned to exit this stake. After selling the 61-million shares, the diversified mining giant would hold 19.5% of AngloGold Ashanti. Anglo American said that its representatives on the AngloGold Ashanti board would resign from the gold-miner once its holding in the company was less than 20%.

In October 2005, Anglo American announced that it would reduce its shareholding in AngloGold Ashanti. The decision to reduce and ultimately exit its gold holding related to the higher relative valuations attributable to pure-play gold companies, rather than as part of a diversified mining group.

FREEPORT WARNS ON CONGO RISK

October 2, 2007 (*miningmx.com*) – Copper and gold producer Freeport McMoRan views its Tenke Fungurume project in the Democratic Republic of Congo (DRC) as "the largest undeveloped, high grade copper/cobalt project in the world today." Addressing the Denver Gold Forum, Freeport CEO, Richard Adkerson, highlighted the paucity of world-class copper projects saying it was one of the key reasons the group had accepted the risks inherent in operating in the DRC.

Adkerson said the group would invest \$650m to develop Tenke Fungurume aiming to start production in 2009 although he added: "That's an aggressive target and there are lots of reasons why we may not make it." Estimates are Tenke Fungurume has an economic life of 40 years and will produce at an annual rate of 115,000 tonnes of copper and 8,000 tonnes of cobalt.

Adkerson pointed out the Tenke Fungurume concession covered 1600 square kilometres of which less than half had been explored and that had revealed a "cumulative" strike length of more than 80km. But he also highlighted the many challenges involved in developing such a large project in a country like the DRC.

According to Adkerson, the shortage of large, high-quality copper projects world-wide is one of the main

reasons underpinning the copper price. Adkerson said near-term copper production is "challenged" because the copper mining groups are developing projects of lower quality than the industry has previously been used to. "New mines are taking longer to build and 60% of today's mines will deplete or go underground by 2021. Supply is unlikely to increase meaningfully while China continues to lead strong demand growth."

The shortage of decent new copper projects was also highlighted by David Heydon, CEO of Nautilus Minerals, which is pioneering the mining of base and precious metals from the sea floor near Papua New Guinea. Haydon put up the project inventory graphic from BHP Billiton's recent annual results presentation at the start of his talk to Denver delegates.

This shows that, apart from the small Pinto Valley copper project in the US now being implemented, the group's next base metal projects are due to kick in from 2013. Only one of those, the expansion of Olympic Dam in South Australia, could be viewed as a "mega" project.

Haydon's point is that, given obvious problems involved in finding and developing large base metal projects on surface, perhaps investors should be looking more closely at Nautilus' proposal to mine massive sulphide deposits

on the sea floor? He's already found some heavyweight backers. Anglo American last year invested \$25m to buy a 6.4% stake in Nautilus. Base metals heavyweight Teck Cominco owns 5.8% and Barrick, the world's largest gold producer, holds a 3.7% stake.

Anglo also signed an agreement with Nautilus giving it an "anti-dilution" right through which it can maintain its percentage stake in Nautilus through to end-October next year.

BHP BILLITON AIMS TO CORRECT IRON ORE FREIGHT DIFFERENTIAL

October 2, 2007 (Dow Jones) – BHP Billiton Ltd. said Tuesday it will continue to work to resolve iron ore freight differentials that it says represent a clear imbalance in the market. Chinese steel mills pay less for Australian iron ore than for ore from Brazil due to the difference in freight costs, and BHP has argued in the past that some of the benefit should be passed on to Australian producers.

BHP's president of marketing, Tom Schutte, said the miner's marketing division looks to change markets that don't reflect supply and demand, as was the case with price participation in the copper concentrate market.

"Other areas identified by BHP Billiton like the iron ore freight differential, an issue already identified in 2005,

we have to date not managed to achieve these fundamentals, but the challenge remains to correct this clear imbalance," he told analysts.

Schutte said the impact of the global credit crunch had largely been on financial markets and was not affecting demand for the commodities that BHP produces. "We do believe that the underlying demand for product remains strong, largely driven...by the Chinese growth and India to follow," he said.

Schutte said BHP evaluates its customers on a credit management basis, but does not see any impact from the credit crunch on customers at this stage.

VENEZUELA INCHES TOWARD SETTING NEW MINING RULES

October 3, 2007 (Reuters) – Venezuela is inching toward defining new mining regulations with tentative plans to oblige at least some foreign companies in the industry to form joint ventures with the state to develop properties. Deputy Mining Minister Ivan Hernandez, who is drafting the new rules, told Reuters late on Tuesday the plan was ready for approval by his boss before being passed on to President Hugo Chavez.

The regulations are important for foreign companies, such as junior Canadian miner Crystallex which has been waiting for years for permission to develop the huge Las Cristinas gold project. After repeated government delays in allowing such projects to go forward, the timing of any new regulations appears to be just as key as what the new rules actually will be. The process may still take months longer to conclude and stretch into next year.

Hernandez said that once the proposals are passed into law, companies wishing to develop mine projects would have to form joint ventures with the government to exploit the natural resources. "(The industry will have) mixed companies, state companies and companies that are owned by people's cooperatives," he said on the sidelines of an event in Caracas on constitutional reform.

"Concessions, as they exist now, there won't be such concessions," he added.

Still, it remains unclear if the government will make its regulations apply only to new mining projects or will also oblige companies such as Crystallex with existing rights to negotiate a new operating structure with the state. Asked how the Canadian company would fit into the proposed scheme, Hernandez said, "I cannot say right now because it will depend on the law's approval."

Periodically, Crystallex's share price swings on the Toronto stock exchange due to perceived steps forward or backward in the process of obtaining the right permit to start development. Other companies with interests in Venezuela are Canadian gold miner Gold Reserve Inc, Hecla Mining Co and South Africa's Gold Fields. The proposed rule change has been mulled for months.

It would be in keeping with Chavez's leftist policies that have included increased state intervention throughout the economy and, particularly, nationalizations in areas he considers strategically important. Despite contradictory statements in the last few months from Venezuelan officials, Crystallex has consistently said it is not worried

any new mining law would affect its project. It says it only requires an environmental permit to proceed with construction at the project to develop what could be a world-class gold mine.

Although the ministry has progressed with its proposal, Hernandez said it is unclear whether the government will have to wait for a new constitution to be approved before passing the mining law.

DRC MINING CONTRACT REVIEW PROCESS CREDIBILITY QUESTIONED

October 3, 2007 (MineWeb) – With some mining and exploration companies finding their licences could be in jeopardy through the on-going review of mining contracts in the Democratic Republic of Congo (DRC), London-based watchdog group Global Witness is questioning the credibility of the whole process, which it says is being marred by a lack of transparency and pressure to rush it through as fast as possible.

The review commission, made up of representatives from government ministries, is tainted by a lack of clarity and there are inadequate safeguards to protect its independence, says Global Witness in a new report titled “The Congolese mining sector in the balance”, which was released this week. The watchdog also describes the speed at which the review is being conducted as “alarming”.

“If the government is not willing to consider actions which might upset certain companies or individuals, it will be seen as a mere rubber-stamping exercise which could have serious negative consequences for the future of the mining sector and the credibility of the government as a whole,” Global Witness says.

However the Commission’s head, the DRC’s Vice Minister for Mines, Victor Kasongo was quoted by Voice of America saying the “review is being done properly” and “we are accepting the need to do the proper work and the need to look at the issues. All the contracts are on the net, anybody can see the existing contracts. And the new contracts have been publicized. So what else can we do?” Kasongo asked.

Announcing the commission Minister of Mines Martin Kabwelulu said in April it would examine partnership contracts drawn up by the state and/or public companies or mixed public/private companies with private investors

in the mining sector and their impact on the recovery of these companies and national development. He said the commission was mandated to propose, if necessary, modalities for the contracts’ revision with a view to correcting any imbalances and faults.

Global Witness says in the report it initially welcomed the DRC’s decision to review the contracts following decades of illegal exploitation of the country’s vast mineral wealth that includes diamonds, gold, copper and cobalt. It says most of the country’s wealth has been “tied up in opaque deals which have provided huge profits for multinational companies and individual politicians, but contributed little or nothing to the country’s development”.

“This initiative could have marked a turning point by restoring transparency, fairness and trust in the mining sector,” says Patrick Alley, Director of Global Witness. “It could also provide an effective tool with which to rebuild confidence among civil society, economic operators, investors and donors. Instead, the government is rushing the whole process through so fast that one has to question the thoroughness and objectivity of the exercise.”

Global Witness says the initial three-month timeframe allocated for the review “was wholly unrealistic” and “likely to have a detrimental effect both on the quality and the outcome of the process.” It also says members of the public are unable to monitor who makes changes to the commission’s report at different stages and recommends the creation of an independent monitoring mechanism which would oversee the commission’s work and ensure that its final report is based on a fair, independent and thorough assessment of the contracts.

2008 BAUXITE PRICES TO SOAR SAYS INDIA

October 4, 2007 (Bloomberg) – Bauxite prices may gain 30% next year on the back of rising demand in China and dwindling Indonesian exports. Prices may rise as high as \$65/t, including insurance and freight, Chetan Shah,

managing director of Ashapura Minechem Ltd., India’s largest exporter of bauxite, said in a telephone interview yesterday in Mumbai.

Prices rose 28% in 2006 and 12% so far this year, he said. China, which imports 70% of its bauxite requirements from Indonesia, faces a supply crunch after the Southeast Asian nation closed several mines to stamp out illegal mining. Reduced supply may curb Chinese alumina output and lift global aluminum prices.

“Since China’s demand for aluminum is not showing signs of slowing, we expect bauxite prices to remain bullish,” said Shah. Ashapura exports its entire 8 million tons a year output, mainly to China, Shah said.

“Indonesia is key to China’s aluminum production and the government closing several mines is bad news for China,” Jim Lennon, an analyst at Macquarie Bank Ltd., said in an interview yesterday from London.

The price of aluminum, used to make aircraft and beverage cans, has doubled in the past five years on growing demand from China, the world’s biggest user of the metal. The South Asian nation may surpass Australia this year as the world’s biggest alumina producer to meet a 25% growth in aluminum demand. China imported 12.5 Mt of bauxite in the first seven months of this year, of which 8.81 Mt came from Indonesia, Macquarie Bank said in a report last month, citing Chinese customs data. The country is set to produce 20 Mt of alumina this year, the report said.

“Imports of bauxite will be crucial if China is to maintain current production, let alone achieve the 29 million tons target next year,” Lennon said in the September report.

MMC AND CHALCO PLAN SAUDI ALUMINUM PLANT

October 4, 2007 (International Herald Tribune) – MMC, backed by Syed Mokhtar Al-Bukhary, a billionaire, signed an agreement with Aluminum of China and Saudi Binladin for a \$3 billion aluminum project in Saudi Arabia to tap cheaper energy supplies. The smelter and associated anode plants are expected to produce one million tons of the metal a year, MMC said in a statement to the stock exchange Thursday. A final decision will be made after a study is completed.

The deal bolsters MMC and Binladin’s plans for a \$30 billion industrial city in Saudi Arabia. “The Middle East is going to be a boom region for the aluminum industry,” Mark Pervan, a commodity strategist at Australia & New Zealand Banking, said in Melbourne. “There’s going to be a migration towards low energy costs.”

Aluminum production in the Middle East will outpace growth in other regions over the next five years as producers abandon higher-cost locations in the United States and Western Europe, Fitch Ratings said in August. Aluminum production in the region could double by 2011 from two million tons now, the agency said.

“MMC will be the first Malaysian company to take off in Saudi Arabia and it’s the right move because Saudi has the biggest oil supply and the biggest amount of money to spend,” said Yeonzon Yeow, an analyst at K&N Kenanga, who has a “buy” call on MMC.

A joint venture will be established before the end of the year to carry out the aluminum project in Jazan Economic City, MMC said, without disclosing the ownership structure. Smelter construction is expected to start by the second half of next year, and the project will be completed in three stages, MMC said. The Malaysian company plans to build a 4,860-megawatt power plant to meet the needs of industrial users in the area, it said.

Energy costs an average of \$20 per megawatt-hour in the Middle East, compared with \$28 in the United States and \$40 in China for the same measure, according to Fitch.

Chalco’s chairman, Xiao Yaqing, said the company was studying investment in areas including the Middle East, Western Asia and Australia “where there are cheap and abundant power resources.”

INDIA’S COPPER USE TO GO UP IN A BIG WAY

October 4, 2007 (Commodity Online) – With an infrastructure boom looming large over the country, India is set to witness a big leap in the consumption of copper in the coming days. According to reports, India will see its copper consumption going up by around 10 per cent compared with the world average of 4.56 per cent.

The government’s rural electrification plan coupled with the urbanisation of semi developed cities are likely to drive copper demand over the next decade. Currently, India consumes approximately 6 lakh tonnes of copper with a per capita consumption of 0.4 kg.

The Chinese average for the same is 2.6 kg and the developed country average is 15 kg. The country produces approximately 8 lakh tonnes of copper, with secondary copper accounting for 25 per cent. With the demand for energy increasing with urbanisation, the power and electronics industries are likely to attract more and more investments towards the end of the 11th Five Year Plan, which requires an additional capacity of 100 gw.

Currently, with an existing capacity of 124 gw, the country faces a shortfall of 7.3 per cent and a peak load shortfall of 11.7 per cent. The power sector's consumption of copper will remain high as the energy demand is estimated to grow at 6-7 per cent annually.

SCOTIA REVISES MOLY PRICE FORECASTS UPWARD FROM \$25.25/LB TO \$30.43/LB FOR '07

October 5, 2007 (MineWeb) – Scotia Capital has recently initiated coverage of three molybdenum equities, revising its moly price forecast for this year from \$25.25/lb to \$30.43/lb, the 2008 forecast from \$19.25/lb to \$33.25/lb, its 2009 forecast from \$8/lb to \$27/lb and long-term forecast from \$7.50/lb to \$12/lb.

Metals analysts Lawrence Smith and Alex Terentiew predicted global molybdenum consumption growth of 7.1% in 2007 (previously forecast at 6.2%) and 8.4% in 2008, up from 3.9%. “The increase in our long-term price is based primarily in the incentive price necessary to include sufficient new capacity into production, taking into account our estimates of capital and operating costs,” they said. “We are now assuming that the long-term price is reached in 2015, rather than 2010, which was previously assumed.” Scotia's analysts asserted that they believe “molybdenum equities will transition from being considered special situation to being mainstream mining equities.”

“In our opinion the molybdenum market is undergoing an evaluation from being driven by by-product copper production to becoming more driven by the economics of primary product,” Smith and Terentiew suggested. “Similarly, we believe this evolution will be reflected in the equity markets, where an investable universe of molybdenum-focused equities are emerging.”

Scotia's analysis revealed that industry consolidation has seen the “investable universe of aluminum and nickel names disappear from the Toronto Stock Exchange. We believe that molybdenum-focused equities are a viable investment to redeploy this capital.”

The analysts said that the market “is being increasingly supplied by primary molybdenum mines as the share of supply from secondary or by-production production from copper mining declines.” They estimate that 46% of global moly production will be from primary mines, up from 40% in 2006. “We believe that as a result, long-term prices will be higher as prices will be determined more by the economics of the primary mining industry, rather than as a by-product of copper production.”

To meet the demand for moly until 2010, new primary molybdenum mines will have to be developed, according to Scotia's analysis. “Many of the attractive projects are held by small capitalization companies, which may suggest they will need to issue equity to finance the development of new mines. This need to access the equity markets will, in our view, increase investor awareness of this segment of the mining industry.”

BIG BLOW FOR BRINKLEY URANIUM IN DRC

October 5, 2007 (MineWeb) – The DRC Government appears to have confirmed investors in UK company Brinkley Mining's worst fears in announcing in a press statement today that the “questionable” mining joint venture between Brinkley and The DRC's CGEA “will not be progressing”. This seems to have effectively killed Brinkley's ‘deal’ to mine the controversial high grade

Shinkolobwe uranium deposit – the source of the uranium for the Hiroshima atomic bomb in the Second World War.

The announcement goes on to say “The Government is taking very seriously its duties to ensure that the DRC's nuclear assets and responsibilities are managed to the highest standards of integrity. This is a clear requirement

of the IAEA membership. This Memorandum of Understanding between CGEA and Brinkley does not live up to these standards.”

“The Government confirms that the Commissaire General of the CGEA, Professeur Francois Lubala Toto, who negotiated and promoted the relationship with Brinkley Mining, has been dismissed, and is currently the focus of a criminal investigation into the origins and terms of the agreement. The same is true of his Scientific Director, Professeur Leopold Makoko Moyengo.”

“The Government can also confirm that Niko Shefer, the controversial businessman associated with the discussions between CGEA and Brinkley Mining, was declared persona non grata in the DRC some weeks ago. Mr Shefer’s activities are also being investigated.

In an addendum to the statement, the DRC’s Minister for Science and Higher Education, Sylvain Ngabu Chumu, added: “This enquiry has been in progress for some time. Just as my colleagues in the Ministry of Mines are moving to ensure that the mining industry is based on deals that have been fairly and properly transacted, so must we ensure that all nuclear issues are managed according to the law. This requires foreign businesses to work within established processes and to take responsibility both for their own probity, and that of their associates.”

In response, Brinkley has issued the following statement: “The Board of Brinkley Mining has not received any such confirmation from the government of the DRC and

is seeking further clarification from the atomic energy authority, the CGEA. Brinkley Mining does not yet have any mining or exploration licenses in the DRC and the principal focus of its current operations are in relation to its exploration activities in South Africa.”

“Brinkley Mining regularly updates its shareholders. The Company is not aware of any other information which should have been disclosed and as and when there is any further news to report on the Company’s interests in the DRC or elsewhere a further announcement will be made.”

This DRC imbroglio has remarkable parallels to the recent CAMEC affair where yet another UK mining company has had its copper/cobalt concessions taken away from it – and in that case a CAMEC associate, Billy Rautenbach, was also declared persona non grata in the DRC.

The DRC appears to be taking drastic action over concessions, the award of which may possibly have been tainted by corruption – or perhaps have just fallen foul of local politics. The DRC has been a difficult, if not impossible, country to work in without some areas of palm-greasing at all levels in recent years. One suspects a number of companies may thus be looking nervously at the antecedents of their older contracts and also be desperately trying to remain in favour with the DRC Government to ensure the same thing doesn’t happen to them.

GLENCORE BUYS INTO KATANGA

October 5, 2007 (Mining Journal) – Katanga Mining Ltd has clinched a 10-year offtake agreement and a one-year US\$150m loan from commodities trader Glencore International AG. The Canada-listed, Democratic Republic of Congo-focused miner said Glencore would buy all of the company’s copper and cobalt. Katanga said an independent committee formed in the wake of Camec’s unsolicited takeover bid, which was later withdrawn, had decided the extra finance was needed for the company to develop its DRC mine complex independently.

The company’s biggest shareholder, Congolese businessman George Forrest, who owns close to a quarter of the company’s stock, this week said he supported the company developing the project independently, despite entering a “soft lock-up” deal with Camec when they made their bid for Katanga.

Glencore has the option to convert the loan into

9,157,509 shares in Katanga during the one-year loan period. Katanga can pay the loan off at any time. Katanga chief executive and chair Arthur Ditto said: “This loan from Glencore means that the next phase of our development is now fully financed.”

Under the offtake agreement, Katanga said Glencore would pay 90% of expected sales value upon loading at the mine gate, with the final 10% payable on delivery of the metal at the discharge port. The board of Katanga said it would no longer seek approval for a shareholder rights plan it had announced in a bid to fend off Camec’s takeover bid.

Copper will be produced from the company’s Kamoto mine complex in December and the site is expected to reach full production in 2011. Annual output is expected to be 150,000 tonnes of refined copper and 8,000 tonnes of refined cobalt.

COPPER TO \$9,000 – UPSIDE UNDERESTIMATED

October 5, 2007 (MineWeb) – In a presentation at Mining Journal's 20:20 Copper Day in London, Chris Welch of copper specialist analytical service, Bloomsbury Mineral Economics (BME), made a strong case for copper reaching \$9,000 a tonne – \$4.08 a pound – by 2009. Given that BME has a great track record on copper price predictions such a prediction should not be taken lightly!

The premise behind the prediction is that the supply gap is continually underestimated by many analysts and factors which should be built into their pricing models are often excluded. Notably Welch feels that mine production is invariably over-estimated, and the figures also do not take into account the amount of copper or concentrate which is, at any given time, tied up in working stocks, and material in transit and being processed.

This effectively means that even if, for example, metal production moves into a small surplus, as is possible in 2008, the amount that is actually available to the market is somewhat less than this and helps maintains the copper price at current levels.

The stock low point is likely to occur late this year, but copper availability is still likely to be in commercial deficit through 2008 and 2009 and may achieve balance in 2010. This is the basis for the BME price prediction of \$9,000 copper by the end of 2009.

This scenario – or at least the general overestimation of copper mine production by analysts – was also

commented on by another speaker, Justin Longley of International Copper Resources. He showed a most interesting chart of analysts' predictions against real output which showed a huge divergence, based on figures from Xstrata.

The point perhaps that both speakers were making is that individual corporate presentations of copper mine supply are frequently heavily overestimated but many analysts may take these as reality without applying a big enough discount for projects which are cancelled, fall behind schedule or for major supply disruptions for technical, political and labour reasons. Real growth in copper consumption remains very strong, older mines are becoming depleted and grades are declining sharply.

Another interesting point which arose in Longley's presentation was the rate of copper usage per capita in the Asian sector in particular. It was pointed out that growth in Taiwan and South Korea has been very high in relation to the developed nations where the curve was lower because of the existing copper based infrastructure. But in the real growth economies like China and India, this growth pattern has hardly started yet, and should this rise to Korean or Taiwanese levels then the effect on the \$ supply/demand pattern could enormous with price development which could make \$9,000 copper itself a huge underestimate!

BEHRE DOLBEAR
is pleased to welcome
JERRY J. HARRINGTON
Mining/Mineral Processing Manager

Mr. Jerry J. Harrington has 11 years proven ability as a mining General Manager preceded by 18 years experience in broad-based mineral processing, engineering, and project implementation. His technical expertise in mineral processing is broad and includes production of copper, molybdenum, vermiculite, talc, and gold. His operations experience includes a 4-year assignment as Mine Superintendent responsible for a large surface mining operation. He is known for

competence and skill in managing multi-company partnerships and has a consistent track record in creation and implementation of process improvements as well as turnaround safety programs with spectacular results. He has demonstrated competent leadership as Chairman of the Nevada Mining Association in which his forte was to articulate and inspire a large board of directors to come together on critical issues.



Beijing
 No. 12B Fuxing Road, Suite 722
 Beijing 100814
 Tel: +86.10.6397.8580
 Fax: +86.10.6397.8580
 beijing@dolbear.com



Denver
 999 Eighteenth Street
 Suite 1500, Denver, Colorado
 80202
 USA
 Tel: +1.303.620.0020
 Fax: +1.303.620.0024
 denver@dolbear.com



Guadalajara
 Paseo de los Robles 4092
 Fracc. San Wenceslao
 45110 Zapopan, Jal.
 México
 Tel: +52 (33) 3610-2113
 Fax: +52 (33) 3610-2112
 mexico@dolbear.com



Hong Kong
 Tel: +852.9039.0288
 hongkong@dolbear.com



London
 Winchester House
 259-269 Old Marylebone Road
 London, NW1 5RA
 United Kingdom
 Tel: +44.207.170.4034
 Fax: +44.207.170.4035
 london@dolbear.com



New York
 100 Park Avenue, Suite 1600
 New York, New York, 10017
 USA
 Tel: +1.212.684.4150
 Fax: +1.212.684.4438
 newyork@dolbear.com



Santiago
 Av. Fleming 11.020, Casa 15
 Las Condes, Santiago
 Chile
 Tel: +56.2.243.0947
 Fax: +56.2.243.0022
 santiago@dolbear.com



Sydney
 Level 9, 80 Mount Street
 North Sydney, NSW 2060
 Australia
 Tel: +61.2.9954.4988
 Fax: +61.2.9929.2549
 sydney@dolbear.com



Toronto
 67 Yonge Street
 Suite 1201
 Toronto, Ontario M5E 1J8
 Canada
 Tel: +1.416.369.9011
 Fax: +1.416.369.0449
 toronto@dolbear.com



Vancouver
 600-890 West Pender Street
 Vancouver, British Columbia V6C 1J9
 Canada
 Tel: +1.604.646.4666
 Fax: +1.604.687.1327
 vancouver@dolbear.com

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